

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: ELECTRIC ENERGY ADJUSTMENT CLAUSE	DOCKET NO. RMU-03-17
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ORDER TERMINATING RULE MAKING PROCEEDING

(Issued August 16, 2004)

On November 20, 2003, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed with the Utilities Board (Board) a petition for rule making. Consumer Advocate proposed changes to the electric energy adjustment clause (EAC) rule 199 IAC 20.9. Currently, only identified energy costs are recovered through the EAC. Consumer Advocate proposed that the rules be revised to require that all demand charges explicitly identified in current and future purchase power contracts, less the demand charges included in base rates, be recovered through the EAC. Any demand charges would then be removed from base rates in an electric utility's next rate case.

On January 16, 2004, the Board granted the petition and commenced a rule making proceeding, identified as Docket No. RMU-03-17, to consider the adoption of Consumer Advocate's proposed changes. The "Notice of Intended Action" was published in the Iowa Administrative Bulletin (IAB) Vol. Vol. XXVI, No. 16 (2/4/04)

p. 1354, as ARC 3135B. Written comments were filed on or before February 24, 2004, and an oral presentation was held on March 3, 2004.

Pursuant to the authority of Iowa Code § 17A.4(1)"b," the Board will terminate the rule making. The Board's reasons for termination are stated in the attached notice.

IT IS THEREFORE ORDERED:

1. The rule making, identified as Docket No. RMU-03-17, initiated in the "Notice of Intended Action" published in IAB Vol. XXVI, No. 16 (2/4/04) p. 1354, as ARC 3135B, is terminated.
2. The Executive Secretary is directed to submit for publication in the Iowa Administrative Bulletin a notice in the form attached to and incorporated by reference in this order.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 16th day of August, 2004.

UTILITIES DIVISION [199]

Notice of Termination

Pursuant to Iowa Code section 17A.4(1)"b," the Utilities Board (Board) gives notice that on August 16, 2004, the Board issued an order in Docket No. RMU-03-17, In re: Electric Energy Adjustment Clause, "Order Terminating Rule Making Proceeding." The Board commenced the rule making on April 6, 2004, to consider amendments proposed to 199 IAC 20.9(476), the energy adjustment clause (EAC) rule, by the Consumer Advocate Division of the Department of Justice (Consumer Advocate). Currently, only identified energy costs are permitted to be recovered through the EAC. Consumer Advocate proposed that the rules be revised to require that all demand charges explicitly identified in current and future purchase power contracts, less the demand charges included in base rates, be recovered through the EAC. Any demand charges would then be removed from base rates in an electric utility's next rate case. Consumer Advocate stated this approach would allow a utility with an EAC the opportunity to recover all of its reasonably-incurred purchased power costs while at the same time preventing overrecovery of such costs.

Notice of Intended Action for the proposed amendments was published in IAB Vol. XXVI, No. 16 (2/4/04) p. 1354 as ARC 3135B. Written comments were filed by Consumer Advocate, Interstate Power and Light Company, MidAmerican Energy Company, the Large Energy Group, Ag Processing Inc, and the Iowa Consumers Coalition. An oral presentation was held on March 3, 2004. Additional participants at

the oral presentation included the Iowa Association of Electric Cooperatives and Dexter Company.

In reviewing both the written and oral comments, it is clear there is no consensus on Consumer Advocate's proposed amendments. While many were supportive of the concept, some industrial customers feared the changes would adversely affect interruptible customers and customers with a high load factor. Others argued for total elimination of the EAC and for addressing specific issues related to recovery of capacity charges in utility-specific rate proceedings.

It is apparent that there is no simple resolution to the issue. The changes proposed by Consumer Advocate, while addressing some of the concerns with the EAC, would have caused unanticipated negative consequences for some large customer classes. The Board notes that the participants in the rule making met informally subsequent to the oral presentation to discuss alternatives, but were unable to reach a consensus. The Board will not adopt the changes proposed at this time and will terminate the rule making. However, the Board will continue to explore the issues raised by Consumer Advocate's proposals in rate proceedings and other appropriate dockets.

August 16, 2004

/s/ Diane Munns
Diane Munns
Chairman